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Several companies made changes to their calling plans that could mean higher rates. AT&T no longer promotes Simple Rate -- their \$0.25 per minute peak/\$0.10 per minute off-peak plan. MCI no longer offers Friends and Family Free, which gave customers who spent \$10 or more per month up to one hour of free calls to other MCI customers. But the company added a new plan based on its MCI One -- MCI One with Cash Back.<sup>12</sup> Sprint no longer offers Sprint Sense with Most Enhancement and Sprint Sense with the Most with Cash Back.

In addition, consumers are paying more for other long distance services. MCI, for example, raised their long distance directory assistance charges 20 cents, from \$0.95 per call to \$1.15 per call, a 15.8 percent increase. Consumers using Sprint's FONCARD will now pay a \$0.60 surcharge on every call made -- a 100 percent increase from the \$0.30 charge reported in TRAC's March 1997 chart. LCI raised its calling card off-peak rate from \$0.18 per minute to \$0.20 per minute. And WorldCom raised its long distance directory assistance charge from \$0.64 to \$0.85.

To make some sense out of what all these changes mean to residential customers, Keep America Connected looked, again, at the long distance analyses done by TRAC.

For nine of TRAC's 18 calling baskets<sup>13</sup> with prices ranging from \$15 to \$40 per month, Keep America Connected compared each carrier's the best plan in March 1997 and September 1997. The results of that analysis is presented in Table 3. Of the 63 cases examined, in 21 cases the rate for the carrier's cheapest plan went up, in 25 cases it stayed the same, and in 17 cases it decreased. The lowest price calling plan for consumers spending less than \$40 a month went up 33% of the time, stayed the same 39% of the time and went down 26% of the time.

For example, for customers who make 18 long distance calls a month, (totalling 179 minutes), mostly at night or on the weekends, the best AT&T plan in March 1997 was Simple Rate, costing \$25.85. In September, the best AT&T plan was True Reach, costing \$28.58 per month, a 10 percent increase. The best MCI plan for the same customers in March 1997 was MCI Friends and Family Free, costing \$26.71. In September, the best MCI plan was MCI One with Cash Back, costing \$24.34, a nine percent decrease.

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<sup>12</sup> MCI One is a flat rate calling plan that allows consumers to choose a "cash back" option. After a period of a year, the customer receives a check for the amount of 20% of the year's charges. The option is no longer available.

<sup>13</sup> Looking at the calling baskets with prices ranging from \$15 to \$40 includes the FCC's typical customer and provides a larger sampling of data.

# COMPARISON OF LOWEST COST CALLING PLAN

## MARCH 1997 - SEPTEMBER 1997

### Average Daily Use

#### 12 Calls / 106 Minutes

	March	Sept.		
AT&T	\$18.30	\$19.57	+\$1.27	7%
MCI	\$17.93	\$13.75	-\$4.18	-23%
Sprint	\$18.85	\$19.85	+\$1.00	5%
Frontier	\$16.95	\$16.95	+\$0.00	0%
LCI	\$17.88	\$17.88	+\$0.00	0%
Matrix	\$16.12	\$16.48	+\$0.36	2%
WorldCom	\$17.00	\$17.27	+\$0.27	2%

#### 18 Calls / 159 Minutes

	March	Sept.		
AT&T	\$29.20	\$27.65	-\$1.55	-5%
MCI	\$28.08	\$21.65	-\$6.43	-23%
Sprint	\$25.34	\$27.72	+\$2.38	9%
Frontier	\$25.43	\$25.40	-\$0.03	0%
LCI	\$27.27	\$27.27	+\$0.00	0%
Matrix	\$25.48	\$25.48	+\$0.00	0%
WorldCom	\$24.70	\$26.38	+\$1.68	7%

### Heavy Daily Use

#### 12 Calls / 86 Minutes

	March	Sept.		
AT&T	\$16.70	\$16.70	+\$0.00	0%
MCI	\$15.93	\$12.04	-\$3.89	-24%
Sprint	\$15.85	\$16.85	+\$1.00	6%
Frontier	\$18.25	\$18.25	+\$0.00	0%
LCI	\$14.98	\$14.98	+\$0.00	0%
Matrix	\$14.71	\$14.71	+\$0.00	0%
WorldCom	\$18.60	\$14.49	-\$4.11	-22%

#### 18 Calls / 129 Minutes

	March	Sept.		
AT&T	\$24.65	\$24.65	+\$0.00	0%
MCI	\$24.93	\$18.77	-\$6.16	-25%
Sprint	\$24.30	\$26.05	+\$1.75	7%
Frontier	\$27.35	\$27.35	+\$0.00	0%
LCI	\$23.51	\$23.51	+\$0.00	0%
Matrix	\$22.44	\$22.44	+\$0.00	0%
WorldCom	\$27.10	\$22.21	-\$4.89	-18%

### Heavy Night and Weekend Use

#### 12 Calls / 121 Minutes

	March	Sept.		
AT&T	\$15.45	\$20.10	+\$4.65	30%
MCI	\$16.80	\$14.42	-\$2.38	-14%
Sprint	\$14.55	\$15.30	+\$0.75	5%
Frontier	\$14.43	\$14.43	+\$0.00	0%
LCI	\$14.43	\$14.43	+\$0.00	0%
Matrix	\$14.69	\$14.69	+\$0.00	0%
WorldCom	\$14.69	\$14.75	+\$0.06	0%

#### 18 Calls / 179 Minutes

	March	Sept.		
AT&T	\$25.95	\$28.58	+\$2.63	10%
MCI	\$26.71	\$24.34	-\$2.37	-9%
Sprint	\$22.41	\$25.02	+\$2.61	12%
Frontier	\$25.66	\$25.65	-\$0.01	0%
LCI	\$24.66	\$24.66	+\$0.00	0%
Matrix	\$23.94	\$23.94	+\$0.00	0%
WorldCom	\$26.58	\$26.70	+\$0.12	0%

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Overall, MCI customers seeking the least cost plan fare far better than AT&T and Sprint customers. Of the nine cases examined for each company, the price for MCI's lowest cost plan decreased in each case. For AT&T, the price for the lowest cost plan increased four times, decreased only once, and stayed the same four times. In all nine cases the cost for Sprint's lowest cost plan increased.

The best strategy for the consumer who wishes to see any savings from access charge reform is to shop around. Only AT&T and MCI basic rate customers saw any immediate per minute rate reductions. For other consumers to see any benefit from access reform, they must be aware of changes in calling plans and request a change of plans and maybe a change in carrier. Sprint and MCI announced new promotions in the last week that could provide savings to consumers with very specific calling patterns (heavy Sunday or Monday evening callers). But consumers must keep a careful watch on their total monthly bill to see if they are getting real rate reductions.

## **Conclusions**

After a thorough analysis of long distance rates since the July 1, 1997 access charge reduction, there is reason to be concerned that the long distance industry is not passing those savings along to consumers in the manner that was intended by the Federal Communications Commission. In fact, our analysis indicates that many consumers may see their long distance bills go up.

The Federal Communications Commission should launch an investigation of the carriers' handling of the access charge reduction and their willingness to pass through access charges to consumers. It should look at which companies, if any, passed all the savings on to consumers, what was the aggregate amount of the pass through, and how much was it offset by fee increases and other revenue raising devices.

It is important that these questions be answered in light of the fact that long distance companies should see access charges drop by go down by \$18 billion over the next five years. In the past, long distance companies have pocketed much of these savings. If the effect of this highly publicized first round of rate reductions indicates what consumers can expect from future access charge reductions, the FCC needs to take steps to ensure real rate reductions take place.

Ultimately, only increased competition will push these carriers to pass along these savings. The FCC should move quickly to break the big three long distance carriers' dominance in the long distance market. Allowing local phone companies to provide long distance service will create more competition in the long distance market and force rates down.